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ABSTRACT

The total economic impact of a college on its community includes the benefits the community receives and the costs it incurs. The benefits can be classified into the tangible dollar expenditures of people associated with the college and the intangible benefits of human resources development. Costs often include alteration of neighborhoods and added municipal services. The Institute of Higher Education Research and Services at the University of Alabama recently completed two economic impact studies of two very different colleges in Alabama. One study, completed in May 1974, reported the impact of a private, predominately black, four-year accredited liberal arts college on the economy of an urban area. The other study, completed in August 1974, reported the economic impact of a public, predominately white, two-year accredited junior college on a rural area (see ED 099 069). This report summarizes and points out some unique aspects of the two studies. In addition, reasons for conducting an economic impact survey, and the procedure for undertaking such a task are briefly discussed. Summary background data about the two institutions are discussed. Data collected for the studies are summarized in 11 areas of impact and are presented in chart form. (Author/NHM)

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THE WHYS AND HOWS OF ECONOMIC IMPACT STUDIES AND A LOOK AT TWO RECENT EXAMPLES

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Every time an individual makes a purchase, he makes a buying decision. These buying decisions, including those by individuals, households, businesses, and government, add up to a tremendous economic force which has a multiplying effect throughout the economy. The sum total of these buying decisions determine whether people get hired or fired, whether dividends are paid or passed, and even whether taxes go up or down. This is why we call our economy in America, a market economy: a society that runs according to the choices involved in all buying and selling.

The Institute of Higher Education Research and Services at The University of Alabama recently completed two economic impact studies of two very different colleges in Alabama. One study completed in May 1974 reported the impact of a private, predominately black, four-year accredited, liberal arts college on the economy of an urban area. I will give my specific reasons for mentioning this study later. The other study, completed in August 1974 reported the economic impact of a public, predominately white, two-year accredited junior college on a rural area. While it is unfair to compare data from two such diverse institutions, as it should be, this report will summarize and point out some unique aspects of the two studies.

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Before summarizing the results of the two studies, I'd like to share some preliminary information with you pertaining to economic impact studies.

WHY DO AN ECONOMIC IMPACT STUDY?

Regardless of whether located in a rural, suburban or urban community, the presence of a college is a significant factor. Its impact is made in many ways in addition to the obvious teaching, research and public service functions. In the eye of the community the college may be a source of culture, irritation, entertainment, nusiance, pride, political agitation, low-cost labor, and revenue. But members of the community may also be aware of the fact that the college is a source of expense. It exists on tax-exempt land; children of staff and students attend public schools and use public facilities; the college benefits from many tax-supported services such as fire and police protection, libraries, utilities, and street maintenance, and even some of the college's operations may compete with local business.

There was a time when many institutions of higher learning were considered "ivory towers" within their surrounding communities. Oftentimes the college and the community were separated by feelings of hostility on the one side, and aloofness on the other. Fortunately, with the growth of higher education's importance to society this

relationship in most places has undergone a significant change. However, there still exists misunderstanding of the relationship between the college and the surrounding community in many areas.

This is where an economic survey may benefit this mutuality of interest. It helps a community determine whether it gains economically by having a college or university in its midst. Furthermore a survey of this type usually reveals some startling figures about how, if not directly, at least indirectly, a college affects local retail sales and its influence on other areas of the local economy. The underlying reason for conducting an economic impact study should be to help foster a better relationship between the community and the college by a more realistic understanding of how each benefits the other.

HOW DO YOU CONDUCT AN ECONOMIC IMPACT STUDY?

One of the best guides available for conducting an economic impact inquiry is the manual published by the American Council on Education entitled Estimating the Impact of a College or University on the Local Economy. This manual was used as a guide for both economic impact studies recently conducted by the Institute and has elements easily adaptable to the variety of postsecondary institutions. This manual also provides complete "how-to-do-it" sections which any competent researcher can follow and understand. The manual presents a generalized approach designed to enable almost any

institution to conduct a useful economic impact survey for itself with a reasonable investment of resources. The book makes recommendations for the definition of the environment to be studied, a description of the economic impacts that are generally important, relevant statistical equations (and their meaning) necessary for calculations, simple basic sources for the required data, and suggestions for assembling and presenting the results. The budget, as it often does, will probably determine the depth of the study and will dictate parameters. However, the manual will assist the researcher and the administration in making these decisions.

Research Report No. 11 -- The Impact of the College on the Local Economy (1973) by James Selgas, John Saussy and Clyde Blocker of Harrisburg Area Community College is another valuable reference book. Essentially this report adapted the ACE manual to a community college and would serve as a useful guide to those undertaking an economic impact study at a two-year institution.

If you're interested in cost and ordering information about either the ACE manual or the Harrisburg study see me anytime after this presentation.

A LOOK AT TWO EXAMPLES

In both of the economic studies recently conducted by the Institute of Higher Education Research and Services at The University of Alabama, demographic data was obtained from the appropriate

offices of the U. S. Bureau of Census. Designs by the American Council on Education were utilized in the computation of the categorical economic figures.

One study completed last year by the Institute was for a public junior college in Alabama. The Northwest Alabama State Junior College Economic Impact Study reported the impact on the local economy of a two-year public junior college in a rural area of northwest Alabama.

Northwest Alabama State Junior College located in Phil Campbell, Alabama enrolls some 889 students. The campus is about 30 miles south of the Sheffield-Tuscumbia area, and about 90 miles northwest of Birmingham. The present campus consists of approximately 100 acres of land.

The total economic impact of a college on its community includes; the benefits that community receives and the costs it incurs. The benefits can be classified into the tangible dollar expenditures of people associated with the college and the intangible benefits which surround the existence of a college.

At Northwest the social costs of higher education are small when pitted against the benefits of the college. Tax exemptions granted the college by virtue of its state status are not significant when compared to tax write-offs given other industries. Many people feel that colleges and universities bring with their existence problems of added social costs to the community due to increased student population, alteration of neighborhoods, and added municipal

services. Northwest Alabama State Junior College does not bring about any of these social costs problems to any significant degree. The institution pays off its own municipal services and does not add a service burden to the county or city. The commuter nature of Northwest makes it free of the problem of increased student population in the city and county, rather than a problem. Many years will pass before the campus is surrounded by neighborhoods.

The real dollar economic impact Northwest Alabama State Junior College has on the survey area can be measured rather precisely, and is reflected by the expenditures of the college and its faculty, staff, and students. The money generated by NASJC is similar to the value added to the community by other major institutions or businesses. These additional dollars create income for other individuals and organizations and encourage the expansion of the local economy.

According to the 1970 Census data, the total population of the four counties in the survey area was 91,656. Northwest enrolls approximately 889 students of which 15 percent rent houses or apartments in the community, 35 percent own their own home and 50 percent live with relatives. The College employs 58 faculty, nine administrators and 24 staff. Of this number, five live out of the survey area.

For purposes of this study data collected was summarized into eleven areas of impact, as presented in Chart 1.

Capital improvements, and new home construction by faculty, staff and students, and plant operation and maintenance by the college totaled $510,940. There were no capital improvements by the college during the survey year. Housing expenditures for faculty, staff and students amounted $156,790.

Utility payments for members of the College Community mounted up to $331,650 during 1973.

A total of $237,600 was spent by individuals and approximately $25,000 by the college for communication during the survey year.

Clothing purchases averaged approximately $218 annually for each student, faculty or staff member, totaling $213,840 for the College community.

Use of services such as barber and beautician, medical, laundry and drycleaning, and miscellaneous services amounted to $748,080 for the survey year.

Local travel expenses equaled $632,650 during 1973.

The food budget of the College community amounted to over $1.4 million and was the largest single expenditure by members of the group.

The College community spent an average of $49,500 each month on entertainment, religious and cultural activities for a grant total of $594,000.

Personal care expenditures including, hair care products, shaving and cosmetics, over the counter prescription drugs, tobacco products, miscellaneous toiletries, and other health related products amounted to $247,500.

And finally, insurance coverage, including hospital, automobile, life, sickness and accident, and household totaled $557,863.

A yearly total of $5,699, 746 was added to the economy of Phil Campbell by the faculty, staff and students of Northwest Alabama State Junior College.

In addition to this amount, credit purchases by members of the Northwest Community amounted to $791,200. Bank deposits in local banks by the College community amounted to $1,087,208. The Northwest Community and College paid $505,037 in taxes to various governments. The dollar amounts reflected here did not directly influence the economic impact Northwest had on the economy; however, they had a very important impact and serve to show the importance of the college in the community. In total, the college spent $1,024,581.66 in 1973, of which $643,111.52 were faculty and staff salaries.

As I mentioned earlier, the other economic impact study completed last year reported the impact of a private predominately black, four-year accredited liberal arts college on an urban area.

While this study was not prepared for general release, I can talk about several aspects of the study. There are two main reasons for mentioning this study to a group of two-year college researchers. First, this college was in an urban setting, was coeducational, was liberal arts, was private, was predominately black, and had a student population (FTE) of approximately 1275. Except for its four-year status, many of the characteristics just mentioned apply to several colleges represented here. Second, a unique portion of this study was the second part pertaining to manpower resources and human development. This part of the survey reported and assessed the programs, services, and cooperative endeavors undertaken by the college in fulfilling its commitment to the development of human resources. Although economic factors reflect the dollar impact on an area, the real success of a college is determined by its role as an agency for developing human resources, particularly its role as a recovery system for neglected human talent. In this study it was reported that this college operated or sponsored more than two dozen special programs or activities for its students and/or as a service for the community. The college was heavily involved in three consortia within the state and urban area in which it is located with each consortia existing for one or more purposes and benefiting the college in specific ways. And, most significantly, many of the important contributions made by

the college's alumni were cited. This is especially important to determine if minority leadership being trained by the college is actually being used (where? how?) in its surrounding communities. These factors all provide evidence to a different kind of impact on the community, not in terms of dollars, but in terms of human development and service.

In terms of economic impact, Chart 2 summarizes the expenditures of the college community, totaling over $9.3 million. Essentially, the economic aspects were conducted similar to those of the Northwest Study.

In summary, let me say that impact surveys of this type can tell a great deal about the economic relationship of a college to its community. But a second aspect that can't be measured in terms of dollar value should not be overlooked. A guide is available for measuring dollar impact, but no manual is published on determining a value of human resources development. It seems important, then, that if the decision is made to undertake an economic impact survey, consideration should be given to assessing the college's mission in terms of its impact on human development and its value as a community service agency.

Chart 1

SUMMARY OF THE ESTIMATED
REAL DOLLAR IMPACT OF THE COLLEGE*
COMMUNITY ON THE NORTHWEST ALABAMA
AREA IN 1973

Capital Improvements	$510,940.00
Housing	$156,790.00
Utilities	$361,650.00
Communication	$262,600.00
Clothing	$213,840.00
Services	$748,080.00
Travel	$632,763.00
Food	$1,413,720.00
Entertainment and Culture	$594,000.00
Personal Care (including Drugs)	$247,500.00
Insurance Coverage	$557,863.00
Total Contribution by the College Community	$5,699,746.00
Additional Data:	
Average Bank Deposits	$1,087,208.00
Credit Purchases	$791,200.00
Tax Contributions[1]	$505,037.00

*Student population = 889 (Headcount)

[1]Includes sales, use, income, social security, and other taxes based on student, faculty and staff incomes.

UNIVERSITY OF CALIF.
LOS ANGELES
1975
CLEARINGHOUSE FOR
JUNIOR COLLEGE
INFORMATION

Chart 2

SUMMARY OF THE ESTIMATED
REAL DOLLAR IMPACT OF THE COLLEGE*
COMMUNITY ON AN URBAN AREA, 1973

Capital Improvements	$651,000.00
Housing	$805,392.00
Utilities	$546,206.00
Communication	$626,925.00
Clothing	$265,500.00
Services	$1,227,780.00
Transportation	$1,014,705.00
Food	$2,142,000.00
Culture and Entertainment	$829,440.00
Personal Care (including Drugs)	$380,089.00
Insurance Coverage	$855,786.00
Total Contribution by the College Community	$9,345,823.00

Additional Data:

Average Bank Deposits	$2,107,190.00
Credit Purchases	$1,208,388.00
State and Local Tax Contribution (Estimate)[1]	$532,085.00
Other Tax Contributions (Estimate)[2]	$233,125.00

*Student population = 1275 FTE

[1] Estimates based on sales and use of taxes of individual members of the Community and the College.

[2] Estimated income, social security, and other taxes based on student, faculty, and staff income